United Nations A/C.2/58/SR.33

General Assembly
Fifty-eighth session

Official Records

Distr.: General
26 November 2003

Original: English

Second Committee

Summary record of the 33rd meeting
Held at Headquarters, New York, on Tuesday, 11 November 2003, at 3 p.m.

Chairman: Mr. Rubenheimer (Vice-Chairman) ..... (South Africa)

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In the absence of Mr. Chowdhury (Bangladesh), Mr. Rubenheimer (South Africa), Vice-Chairman, took the Chair.

The meeting was called to order at 3.10 p.m.

Agenda item 104: Follow-up to the International Conference on Financing for Development

(a) Follow-up to the International Conference on Financing for Development

(b) High-level dialogue for the implementation of the outcome of the International Conference on Financing for Development (A/58/3 (Parts I and II), A/58/77-E/2003/62, A/58/77/Add.1-E/2003/62/Add.1, A/58/77/Add.2-E/2003/62/Add.2, A/58/216, A/58/436, A/58/413, A/58/437 and A/58/542)

1. **Mr. Anwarul Chowdhury** (High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States), commenting on the report of the Secretary-General (A/58/216), said that, given the conclusion of the High-level Dialogue on Financing for Development that the currently projected rate of implementation did not augur well for achieving the Monterrey commitments, particular attention should be given to the special needs of Africa, the least developed countries, small island developing States and landlocked developing countries. With globalization expanding, the least developed countries had remained particularly vulnerable to external events, bearing the main brunt of the global economic downturn, despite the wide-ranging efforts they had made to reform their domestic policies.

2. He drew particular attention to paragraphs 91 to 94 of the report. The High-level Dialogue on Financing for Development had noted that stringent rules of origin, complex documentary procedures and other practices reduced the extent to which least developed countries could use preferential schemes; current official development assistance (ODA) levels were still well below those needed to achieve the Millennium Development Goals; the majority of developing countries, particularly least developed countries, did not share the benefits of foreign direct investment flows; and the delay in providing adequate debt relief for heavily indebted poor countries was further handicapping the least developed countries.

3. Even the best efforts of the least developed countries to improve the investment climate and attract more substantial flows of foreign direct investment were insufficient without the support of their development partners. In the present economic climate, which made it twice as difficult for those countries to attract foreign direct investment, their reliance on ODA gained greater importance in their development efforts and their efforts to achieve the Millennium Development Goals.

4. The financial and technical assistance required for implementing the commitments made in the Brussels, Almaty and Barbados Programmes of Action in respect of the three vulnerable groups of countries would go hand in hand with the overarching international agenda contained in the Monterrey Consensus and the Millennium Declaration. At the core of those efforts was the need for true partnership among all stakeholders. He hoped that the focus on the least developed countries at the 2004 high-level segment of the Economic and Social Council would generate much-needed additional international support for those countries. The discussions at the annual meetings of the Council with the Bretton Woods institutions, especially with regard to financing for development, should also place special emphasis on the concerns of least developed countries.

5. **Mr. de Rojas** (Acting Head of the Financing for Development Office, Department of Economic and Social Affairs) said that the Financing for Development Office had been set up pursuant to General Assembly resolution 57/273 to serve, inter alia, as the focal point in the United Nations Secretariat for overall follow-up to the implementation of the outcome of the Monterrey Conference, to support and facilitate the participation of all stakeholders and to keep under review actions taken at all levels in follow-up to the Conference. Despite its modest level of staffing, the Office had been able to fulfil its tasks and responsibilities, as regards both policy and the "multistakeholder engagement". However, it had not been easy.

6. He urged delegations to support the consolidation of the Office in both political and budgetary terms, and to make additional contributions to the Secretary-General's financing for development trust fund, which enabled the Office to sponsor seminars and study groups and support the participation of delegates and civil society representatives from developing countries in key financing for development events. In that regard, he welcomed the recent generous contribution from the United States Government to the trust fund. It was

important for his Office to receive political guidance from Member States as to their areas of priority.

7. Referring to the participation of the United Nations Secretariat in the International Tax Dialogue, an inter-secretariat cooperation mechanism being promoted by the Organisation for Economic Cooperation and Development (OECD), the World Bank and the International Monetary Fund (IMF), he said that participation would have cost the United Nations up to $20,000 for infrastructure support. His Office had not felt it appropriate to incur that cost. The issue of international tax cooperation, particularly in its intergovernmental dimension, was still being discussed in the context of the financing for development follow-up process and the sponsoring entity — OECD — was one in which not all States Members of the United Nations took part. The Secretariat's proposal to participate as a non-paying "observer" had been rejected. Guidance from Member States on that matter would be most welcome.

8. **Mr. Benmellouk** (Morocco), speaking on behalf of the Group of 77 and China, said that financing for development was one of the most crucial issues with a considerable impact on development. While every country was primarily responsible for its own economic and social development, it was regrettable that the bold economic and social reforms undertaken by the countries of the South in a particularly difficult international context did not benefit from the expected support from the countries of the North. Another matter of concern was the low rate of capital flows to developing countries, despite the efforts those countries had been making to improve the business climate and their legislative and regulatory framework in order to attract financial flows, especially foreign direct investment. Such investments were concentrated in a very limited number of countries. Indeed, the majority of developing countries did not receive enough investment inflows to offset the capital outflows.

9. In view of the potential of international trade as an engine of economic growth and development, the Doha Development Agenda was an important step forward in that it put development at the heart of multilateral trade negotiations. Following the failure of the Cancún Conference, the international community and particularly the developed countries must build a consensus that would satisfy the legitimate demands of developing countries for the establishment of a fair, equitable, predictable and non-discriminatory multilateral trading system. That could be achieved through a commitment by developed countries to eliminate customs tariffs and barriers and reduce agricultural subsidies. He urged the international community to increase the volume of ODA, which was a major source of funding for the economic and social policies of many developing countries, especially the least developed ones. Indeed, it was a cause for concern that ODA represented only 0.23 per cent of GDP of developed countries, well below the 0.7 per cent target. In that regard, he thanked the Governments which had taken or were about to take measures to achieve that target.

10. There could be no genuine economic take-off by the countries of the South without relief of their debt burden in general and cancellation of the debt of the least developed countries. That would enable them to make best use of their financial resources in working towards the Millennium Development Goals. The efforts made under the HIPC Initiative were welcome, but only 8 of the 42 candidate countries had so far benefited from the debt-relief measures. Flexibility was needed in order to help countries to meet the eligibility conditions and indeed for the treatment of the foreign debt of all developing countries.

11. Where the systemic problems were concerned, greater coherence of the international monetary, financial and commercial systems would help to build an "architecture" to serve the whole international community. IMF had a leading role to play in guaranteeing the stability of the world economy; it was particularly important for it to monitor the macroeconomic policies of the industrialized countries, for they had a huge impact on the world economy and on the developing countries in particular. If they were to be integrated into the world economy, the developing countries needed easier access to foreign financing on favourable terms. The Group of 77 and China once again appealed for the allocation of special drawing rights for development purposes.

12. They endorsed the efforts of the World Bank and IMF to find ways of increasing the participation of developing countries in their decision-making processes. However, it was regrettable that no progress had been made in reviewing the capital structure and the calculation of accessed contributions in the two institutions — the only way to prevent participation from affecting the economies of the developing countries adversely.

13. It was incumbent on the international community, especially the developed countries, to implement its

commitments under the Monterrey Consensus and General Assembly resolution 57/270 B, so that the countries of the South could join in the globalization process. To that end it was necessary to formulate a development financing strategy which took into account all the relevant aspects of the Monterrey Consensus. Such an approach would include promotion of capacity-building in developing countries; increased ODA; implementation of the Doha undertakings; enhancement of the coherence of international monetary and financial policies; effective participation of developing countries in international financial institutions and reinforcement of regional financial organizations; closer international cooperation in fiscal areas, including enhancement of the status of the Ad Hoc Group of Experts on International Cooperation in Tax Matters; and establishment of follow-up mechanisms with regard to development financing.

14. Such measures constituted a positive response to the challenges of growth and development and a manifestation of the principles of partnership, co-responsibility and solidarity. The question of the Monterrey follow-up mechanisms was particularly important. It was to be hoped that all countries would cooperate in the objective evaluation of those mechanisms called for in resolution 57/270 B.

15. **Mr. Bernardini** (Italy), speaking on behalf of the European Union, the acceding countries Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia and the associated countries Bulgaria, Romania and Turkey, said that the European Union had had high expectations of the High-level Dialogue, for implementation of the Monterrey Consensus was crucial to the achievement of the key international development goals. In March 2002, the Council of the European Union had adopted the Barcelona Commitments in that connection, and their implementation status was described in document A/58/529. Further progress reports would be issued.

16. General Assembly resolution 57/270 B had appeared to many to lock the High-level Dialogue into a straitjacket; the Assembly would have to take account of what had been learned in order to make the best use of the opportunities offered by such events. The European Union took a positive view of the Dialogue, for it had reaffirmed the Monterrey Consensus. One particularly positive element was the engagement of the United Nations with the Bretton Woods institutions. The preparatory process for the Monterrey Conference had already demonstrated the potential of such a dialogue, which must be continued. The participation of WTO had been welcome, and it should become more active in the Monterrey process in future, matching the interest of Member States in the issue of global trade. The participation of civil society and the business sector had also been welcome, but more needed to be done to strengthen the dialogue with them.

17. The High-level Dialogue had confirmed that each country was primarily responsible for its own economic development. The European Union welcomed the commitment of many developing countries to adopt sound macroeconomic policies and reconfirm the role of the private sector as a driving force of development. In that context, the Union reiterated its full support for the New Economic Partnership for Africa's Development (NEPAD). The Monterrey Consensus was delivering concrete results: increased ODA; coordination of policies and harmonization of procedures, untying of aid; and the fight against corruption. The question of coherence remained at the heart of the development financing agenda, and of course increased trade opportunities were also very important.

18. The European Union deeply regretted the failure of the Cancún Conference to make substantial progress but remained convinced that a combination of development cooperation and increased liberalization of world trade were crucial to the achievements of the key development goals. The negotiations in the WTO framework must therefore resume as soon as possible, and all parties should demonstrate the determination and flexibility needed to honour the Doha commitments.

19. The European Union had announced its intention to go beyond the HIPC target by providing 100 per cent bilateral pre-cut-off-date relief for all claims on HIPC countries. It urged all creditors and donors to provide their share of bilateral debt relief and multilateral financing for the HIPC Initiative and was ready to discuss with the Bretton Woods institutions and other donors changes in the method of calculating the topping-up requirements at the Completion Point for those countries whose debt was deemed unsustainable.

20. As the follow-up to the Monterrey Conference continued, particular care should be taken at the spring meeting of the Economic and Social Council with the Bretton Woods institutions and WTO to avoid overlapping with the High-level Dialogue. The European Union was committed to a continued dialogue with other delegations and all stakeholders

with a view to the attainment of the Monterrey commitments.

21. **Mr. Balarezo** (Peru), speaking on behalf of the Rio Group, said that the Secretary-General's report showed that much remained to be done to fulfil the commitments of the Monterrey Consensus. One statistic summed up the situation: the net transfer of financial resources had been negative for the developing countries for the seventh consecutive year. The difficult international environment had had a particularly severe impact on Latin America, where 2003 per capita GDP would be 2 per cent less than in 1997, representing a sixth "lost year". The countries of the Rio Group had made progress towards meeting the Monterrey commitments. Latin America had in fact done its part but it enjoyed neither the external environment nor the resources to finance its development.

22. While the Monterrey Consensus had reaffirmed the need for domestic reforms in developing countries, solutions must be found to their foreign-debt crisis. The Rio Group acknowledged the contribution of the United Nations in that connection. In view of the importance of stability in the international economy, the monitoring of the macroeconomic policies of all IMF member countries should be as effective as possible, with special attention to those States with a greater influence on the international economy. The financial architecture of development must be made more democratic through greater participation of developing countries in the international financial institutions. Since trade was the engine of development, the developing countries must be given better access to markets, and obstacles to trade must be removed. The negotiations under the auspices of WTO should therefore incorporate a development component.

23. The participation of all the parties in the High-level Dialogue was a clear indication of the central role of the United Nations. The Dialogue had acknowledged two extremely important points: the United Nations must play that central role and improve its coordination work, in accordance with the relevant provisions of the Charter. The Economic and Social Council must become a forum for coordination of international policies on finance, trade and development as a fundamental element of the Monterrey follow-up.

24. The existing tools for monitoring the Monterrey commitments must be strengthened and the Bretton Woods institutions, WTO and all other stakeholders must remain involved in the process. In that connection, the preparations for the annual meetings of the Council with the international financial and trade institutions and for the biannual High-level Dialogue must be improved.

25. **Mr. Siv** (United States of America) said that his Government strongly supported follow-up, but was concerned about the rate of implementation. Intergovernmental bodies had spent a disproportionate amount of time debating the meaning of the Monterrey process and the relative importance of various sources of development finance. A more serious approach would be to determine what action could be taken at the national level to ensure effective implementation. The various bodies of the United Nations system could play a crucial role in supporting the efforts of developing countries to mobilize resources. A substantial shift in the technical cooperation activities of the United Nations system, in favour of mobilizing such resources nationally, was therefore essential.

26. He proposed a number of activities, primarily the organization of forums for holding consultations and identifying ways of stimulating private investment, which could further enhance the work of the Financing for Development Office. In addition, the United Nations should support, rather than replace, the initiatives of other multilateral organizations in promoting dialogue on specific issues.

27. His Government had demonstrated its commitment to the Monterrey process, most recently through the launching of the Millennium Challenge Account, which was expected to help countries to improve their policies and practices by bolstering their legal systems and their investment in health, education and agriculture. That initiative recognized that development must primarily come from within, and not be conferred from the outside.

28. He noted with satisfaction that inflation and budget deficits had been reduced in most developing countries, and that privatization was proceeding and anti-corruption and good governance efforts were deepening. Foreign direct investment would continue to increase if developing countries continued to create climates hospitable to foreign investment.

29. It was clear that trade liberalization still had untapped potential for developing countries and that they should exert greater effort in using the large and varied pool of resources available for development. Some participants in the High-level Dialogue had cited a net negative resource transfer from developing countries as evidence of insufficient inflows. However,

such aggregates represented a number of positive elements, and continued focus on that indicator diverted attention from what should be the primary areas of focus, namely, domestic savings, sound use of trade and investment opportunities, and the effective use of aid.

30. **Mr. Løvald** (Norway) said that his delegation was particularly pleased that the ministerial round tables advanced the Monterrey process by facilitating frank exchanges and conveying important messages to all stakeholders. The international community needed to show genuine political will to live up to commitments made at the International Conference.

31. All parties shared the responsibility of reversing the trend of net outward transfers of financial resources from developing countries. Norway was prepared to be monitored and to report on its part in the implementation of Millennium Development Goal number 8, and had already adopted measures to ensure improved coherence in national policies. Norway's contribution to financing for development through increased official development assistance (ODA) and accelerated debt relief was on track, with 0.94 per cent of its 2004 gross national income earmarked for ODA. By opening its markets to goods and services from developing countries, Norway sought to further its commitment to making the ongoing WTO negotiations a true development round. All countries had a common interest in a strong, rules-based multilateral trading system; it was therefore not desirable for the trading system to be undermined by a shift towards bilateral and regional trade agreements. Norway deeply regretted the failure to achieve positive results at the fifth WTO Ministerial Conference, and would do its utmost to move the negotiations back on track.

32. Formal market access must be bolstered by trade-related technical assistance and capacity-building measures, an area in which Norway had expanded its assistance over recent years. Convinced of the importance of coherence in policy formulation and coordination between WTO, the Bretton Woods institutions and the United Nations system, Norway welcomed the proposal that the United Nations should prepare a report on policy coherence at both the national and international levels, and supported efforts to enhance the voice and participation of developing countries in the financial institutions.

33. The Monterrey Consensus could achieve meaningful results only if developing countries themselves fulfilled their share of the partnership, for example by creating an enabling environment nationally, strengthening governance, the rule of law and sound macroeconomic policies, as well as by promoting democratic principles and respect for human rights.

34. **Mr. Valera** (Mexico) agreed that participation by all relevant stakeholders in the High-level Dialogue had demonstrated that the international community was resolute in its support for the implementation of commitments under the Monterrey Consensus. Discussions with the Bretton Woods institutions and WTO and the recent High-level Dialogue had reinforced their validity as an effective mechanism for follow-up to the International Conference. Mexico was convinced of the need for all relevant stakeholders to closely examine ways to refine and rationalize that mechanism.

35. One of the most pressing issues for developing countries was the need to achieve substantive progress in international trade negotiations and implementation of the Doha work programme. For many, the lack of progress in trade was a major obstacle to fulfilling the goals and objectives of the Millennium Declaration. To that end, Mexico appealed to all countries to strengthen free trade and to WTO members to renew their commitment to the Doha work programme and participate constructively in an open dialogue at the next round of trade negotiations in December 2003.

36. Mexico shared the view held by most Member States that the follow-up mechanism to the International Conference should focus on monitoring and promotion of alliances for the implementation of agreements and commitments adopted by the Conference. In conclusion, he expressed his delegation's support for the recommendation of the President of the General Assembly with regard to the establishment of guidelines for assessing and reviewing progress, identifying problems and areas of priority and encouraging new cooperation mechanisms for the speedy and effective implementation of the commitments adopted at Monterrey.

The meeting rose at 4.35 p.m.